

*"Given the evidence before us ... it would be regrettable if we failed once again to be in on the ground floor as Latin America awakens in the 21st Century and thus be left - as we have been so often in the past - on the sidelines lamenting missed opportunities when they were there for the taking."*¹

CHAPTER FIVE

TRADE AND INVESTMENT - STRATEGY FOR THE FUTURE

5.1 Some of the more common general problems brought to the attention of the Committee as constraints to increased economic links with Latin America included:

*"Australia's competitive disadvantage vis-a-vis North American suppliers, the general lack of awareness by industry of opportunities available in Latin America, and the lack of a frequent direct shipping route between Latin America and Australia ..."*²

Of these, the impediments most consistently cited by witnesses were poor transport links and mutual ignorance both about each other and the opportunities each has to offer the other. The transport question is dealt with in detail in Chapter Six of this Report.

5.2 The part that information - or, more correctly, the absence of accurate and comprehensive information - plays in the relationship between Australia and the Latin American countries, and what might be done about it, is addressed in this Chapter.

Mutual Ignorance

5.3 It was repeatedly put to the Committee that a major problem is that of ignorance or faulty perceptions.

1. Macdonnell Promotions Pty Ltd, submission, p. 4.

2. *Australian Trade and Investment Development*, 15 November 1991, Department of Foreign Affairs and Trade, p. 25.

5.4 Asked why Australian business does not consider Latin America a high priority, the Manager of Austrade's Americas Market Development Office replied that Austrade had not done any in-depth analysis. Nevertheless he ventured the following view:

"I think that the reasons are fairly apparent - the common perception the Australian businessman has is that Latin America is characterised by political and economic instability. They read about drug problems and that sort of thing; they tend to hear only the bad news and therefore think, 'Why bother? It is a more distant market; there are different customs, languages, and so on. When we have South-east Asia on our doorstep, why should we bother with Latin America?' That is their general attitude."³

5.5 The Chilean Ambassador put a similar view:

"In my view the basic problems that today prevent closer links between Australia and Latin America, to put it bluntly, lie mainly in mutual ignorance and prejudice... In my view, it is more a question of wrong attitudes than of conflicting interests or lack of opportunities."⁴

In a similar vein Banco Santander pointed to opportunities which Australian business has the capacity to take advantage of, but which it is ignoring because of lack of information, government support and self-motivation.⁵

5.6 Specifically in relation to Brazil, the Brazil-Australia Chamber of Commerce observed that:

"... many good trade and investment opportunities are arising but Australian organisations don't seem to be taking avail of these opportunities. We understand that this is due to lack of information."⁶

5.7 Other submissions on the same theme were made by the diplomatic representatives of Colombia, Uruguay, Mexico and Peru, the Australia-South America Business Council, the Institute of Latin American Studies at La Trobe University, the Andes Association and the ANZ Bank.

3. Mr I. Taylor, Committee Hansard, p. 359.

4. H.E. Mr J. Salazar, Committee Hansard, p. 1358.

5. Mr J. Blanco, submission, pp. 10-11.

6. Brazil-Australia Chamber of Commerce, submission, pp. 1-2.

5.8 The Committee is in no doubt that more Australian companies would be interested in exploring the prospects for trade and investment in Latin America if they were better informed about developments there.

Perception that Latin America is in the US Sphere

5.9 It is not only an absence of information about opportunities that is holding Australian companies back from seriously considering the option of doing business in Latin America. The Committee was told that there is a widespread misperception about the situation there. For instance, one argument often used against increased efforts to achieve greater trade with Latin America is that the dominant US presence in the region puts other countries at an overwhelming disadvantage. It seems to be commonly assumed that this is an inevitable and permanent state of affairs.

5.10 However, Latin American representatives maintained that this is not the case. For example Ambassador Puerto of Colombia said that:

"The perception that Australia has no opportunity in Latin America because that region is so focused toward the United States is erroneous. Australians could very well be more welcomed in Colombia than Colombia's neighbours from the North."⁷

Ambassador Morales of Mexico put the view:

"The wrong perception that Australia has not enough room to develop business relations with Mexico because this country has been too dependant on the U.S.A. has existed. However, this assumption is not valid because Mexico has been engaged in a very strict process of economic diversification with many countries in the world, especially Australia, as we demonstrated by the Presidential Visit."⁸

5.11 In fact, the Committee heard evidence that in some instances, Australians were actually at an advantage in dealing with Latin America. In the case of agriculture:

"Nobody does it better in this area than Australian farmers.

7. H.E. Dr A. Puerto, submission, Committee Hansard, p. 1706. As noted in para. 2.48, the present Ambassador of Colombia is H.E. Mr Fernando Navas de Brigard who gave evidence to the Committee at a public hearing on 26 March 1992.

8. H.E. Mr A. Morales, submission, p. 24.

South America is in the same hemisphere as Australia, and its farmlands and animal types are similar."⁹

The President of the Australia-Brazil Chamber of Commerce agrees:

"Another area that has been suggested to me in terms of scientific and technological education is dry land farming education. There are great tracts of land that the Brazilians need help with, and we in Australia are very well placed, more so than Europeans or Americans, to do that."¹⁰

Whose Responsibility - Government or Private Sector?

5.12 In examining the issue of the availability of information on Latin America in Australia, the Committee concluded that there were two main, inter-related strands that it should pursue.

5.13 First, there is the question of raising the general level of understanding in the Australian community about the Latin American region, its culture and its economic, political and social development. Clearly educational institutions play a major role in this, as do organisations such as the Australia Council for the Arts, the AFS International Exchanges (which arranges international student exchanges) and various community friendship and cultural organisations. These are discussed in greater detail in Chapter 7.

5.14 Secondly, there is the question of increasing the knowledge available to Australian business specifically to enable the business community to make sound business decisions with regard to opportunities in Latin America.

5.15 While there was some support for the view that it is mainly up to the private sector to be more active in the investigation and pursuit of market opportunities in Latin America, none of the submissions put to the Committee advocated this approach exclusively. Instead, there was a general perception that at this stage of the relationship, Government has an important role to play in giving a lead to private industry. Government agencies also have an important role to play in facilitating the private sector's involvement in Latin America.

9. Mr I. Metherall, Committee Hansard, pp. 548-9.

10. Mr J. McGruther, Committee Hansard, pp. 660-1.

5.16 According to Professor Rodney Maddock:

"... the performance of our diplomats and Austrade in making business aware of these things has probably been a factor, but on the other hand, it should not necessarily be the Government's role to do these things. Why are these private companies not there monitoring activities in the way that other nations are?

One can go to any of these centres [in Latin America] and whenever you go into a restaurant, it is full of Canadian business people or Japanese or Koreans or Germans who seem to be there monitoring and doing business, and I have not run into Australian business people in the same way, just on a day-to-day business basis, dealing with government officials and things like that in the same way as I have with people from lots of other countries."¹¹

5.17 By and large most observers seem to consider that it is a joint Government-business responsibility to monitor developments in Latin America. So, for example, the President of the Australia-Brazil Chamber of Commerce said:

"The answer is that it is really a hotchpotch of contributions from the government sector, from business and trading people within Australia, as well as, I think, the Austrade contribution itself."¹²

5.18 There was considerable criticism of the failure of various arms of the bureaucracy to support the private sector adequately in the past in regard to trade with Latin America. Austrade in particular came under attack.

Role of Austrade

5.19 Several submissions were dismissive of Austrade as an effective trade promotion organisation where Latin America is concerned.

11. Prof. R. Maddock, Committee Hansard, p. 417.

12. Mr J. McGruther, Committee Hansard, p. 651.

5.20 The complaints relate to:

- the location of Austrade officers in Latin America, particularly the inappropriate location of Australia's Senior Trade Commissioner for Latin America in Miami, Florida;¹³
- qualifications of Austrade's representatives;
- poor quality of market information; and
- poor dissemination of information.

At least four agencies indicated to the Committee that they did not find Austrade useful for their purposes.

5.21 A representative of the Australia-Brazil Chamber of Commerce, who is also the General Manager of CMC (Australia) Pty Ltd, told the Committee that he did not know of anybody who had ever used Austrade in Latin America.¹⁴

"The only use Austrade has been to our company ... is purely as a sounding board to discuss attitudes of government and as a sounding board on how they may see things happening. We would never use Austrade directly to help us develop any business."¹⁵

5.22 The Julius Kruttschnitt Mineral Research Centre (JKMRC) made the observation that in their experience in Chile, Austrade was not at all effective in matters concerning mining operations, technical requirements and technical opportunities.¹⁶ The JKMRC Director commented:

"I wonder at the role of Austrade in these activities because, generally speaking, I do not believe they are very effective."¹⁷

13. Austrade has since moved its headquarters for Latin America from Miami to Buenos Aires. The Senior Trade Commissioner commenced duty in Buenos Aires on 2 September 1991.

14. Mr K. Aitken, Committee Hansard, p. 653.

15. *ibid.*

16. Dr D. McKee, Committee Hansard, p. 1138.

17. *ibid.*, p. 1150.

5.23 Asked whether he had received assistance from Austrade in connection with his attempts to fill orders for milk powder, agribusiness consultant Mr Greg Smith said:

"We made a call to Austrade. All it could do was give lists of company names, which we know already."¹⁸

5.24 Mr E. Olmos, the National Marketing manager of Barbican Marine (Agencies) Pty Ltd, one of two shipping companies which provide direct services between Australia and Latin America, told the Committee that he preferred to put interested business people in touch with the Brazilian Embassy in Canberra rather than Austrade. Mr Olmos explained:

"This is mainly because of the lack of information as far as what Austrade does, who to contact in Austrade or what we can do with Austrade."¹⁹

In Mr Olmos' view:

"Austrade could be a little more active in trade participation."²⁰

Mr Olmos' testimony further illustrates two problems repeatedly brought to the attention of the Committee during the inquiry, namely, poor or non-existent coordination between Government agencies and business and general lack of information on business opportunities and contacts. This is discussed further in paras. 5.3 to 5.8, and paras. 5.74 to 5.79.

5.25 The Committee was interested to learn of the existence of Austmine, a mining industry association formed in 1988. According to its Chairman, Mr Eric Garner, Austmine brings together companies with capabilities in consulting, engineering design, project management, contracting, equipment and supplies manufacture and technology applications.²¹

5.26 Austmine contracts a secretariat service from Austrade. This presently amounts to half the cost of an Executive Officer based in Austrade's office in Canberra. The other half of the cost is met by Austrade and the officer performs duties related to both Austrade and Austmine.

18. Mr G. Smith, Committee Hansard, p. 1101.

19. Mr E. Olmos, Committee Hansard, p. 1903.

20. *ibid.*

21. *Austmine Directory*, 1991.

5.27 The Committee notes with interest the directory published by Austmine featuring the range of mining equipment, services and supplies available from its 100 member companies²² and regards it as a worthwhile initiative.

5.28 The Committee also learnt that Austmine presently has a strategy of concentrating on among others, markets in India, the Philippines and Indonesia.²³ The Committee has already commented on the emphasis placed by Australian Government agencies in this regard.²⁴

5.29 Two references were made to Austmine during this inquiry. The Managing Director of Mine Site Technologies Pty Ltd, Mr Gary Zamel, told the Committee that his company regards membership of Austmine as useful for obtaining information on export markets that is only available to Austmine members.²⁵ The General Manager of one major mining company told the Committee that he had not heard of Austmine.

5.30 Austrade informed the Committee that its sector studies in Argentina, Brazil, Chile and Mexico were undertaken in cooperation with Austmine.²⁶

The Policy Framework - the Role of Government

5.31 The Committee sought to establish whether Commonwealth Government departments and agencies had any strategies to develop trade and other links with the region. The Committee further examined the policy and planning documents of these agencies and looked at the resources devoted to developing relations with the region.

5.32 As the inquiry proceeded, it became abundantly clear to the Committee that Latin America has not featured to any extent in the strategic planning of Australian Government departments.

22. The Austmine directory lists the capabilities and contact details of Austmine member companies. The first directory was published in 1989 and the revised edition published in 1991.

23. Mr G. Zamel Committee Hansard, p. 690.

24. See paras. 1.75-1.77.

25. Mr G. Zamel, Committee Hansard, pp. 689-90.

26. Letter from Mr I. Taylor to the Committee Secretary, dated 2 April 1992.

5.33 The Committee agrees with the observation of the previous Colombian Ambassador to Australia that:

"Latin America constitutes a huge hole in Australia's foreign policy."²⁷

5.34 Austrade describes Australia's present trade relations with Latin America as "relatively insignificant"²⁸ Austrade informed the Committee that "Austrade has not accorded Latin America high priority in the recent past"²⁹ and stated that Austrade was not planning to undertake a major expansion of its representation in Latin America.³⁰

5.35 DFAT categorises the relationship as "a relationship of potential rather than achievement."³¹ DFAT's Corporate Plan for 1990-93 includes several strategies to advance bilateral relations in the Americas and Europe.³² However, no specific mention is made of Latin America.

5.36 DITAC admitted that it did not have a strategy for lifting levels of Australian investment in Latin America.³³

5.37 The Small Business Unit of the Department of Industry, Technology and Commerce launched its "Export Access" program in October 1991 to assist small to medium sized enterprises to gain access to international markets. North America, Europe and Asia were targeted.³⁴ Latin America was not mentioned.

5.38 Although agricultural and resource commodities make up over 75% of Australia's exports to Latin America, the Department of Primary Industries and Energy informed the Committee that:

"... direct links between this Department and Latin America are limited."³⁵

27. H.E. Dr A. Puerto, submission, Committee Hansard, p. 1708.

28. Austrade submission, Committee Hansard, p. 325.

29. *ibid.*, p. 314.

30. *ibid.*

31. *Australian Trade and Investment Development*, *op. cit.*, p. 24.

32. *Corporate Plan 1990-93*, Department of Foreign Affairs and Trade, 7 May 1990, p. 11.

33. Mr G. Taylor, Committee Hansard, p. 249.

34. *Export Access Program Guidelines*, Small Business Unit, Department of Industry, Technology and Commerce, pp. 3-5.

35. DPIE, submission, Committee Hansard, p. 1189.

How Does Latin America Compare to Other Regions?

5.39 In the course of the inquiry, the Committee touched on the question of the importance of Australia's economic relations with Latin America compared to its relations with other regions. While a detailed analysis would have taken the inquiry well beyond its terms of reference, the Committee felt it appropriate to comment on it in general terms. Given the attention that Australia's relationship with Asia has attracted in recent times, it was not surprising that that comparison was the one most frequently made.

5.40 Not unexpectedly, the Committee was repeatedly reminded by witnesses that Australia's priorities were in Asia. Mr Woolcott stated:

"As far as Latin America is concerned ... clearly it cannot be in the forefront of our priorities ... clearly we do see the area where the greatest opportunities are going to present themselves ... and that priority region is the area of what is often called dynamic economic growth, essentially in our own region, in North Asia, particularly in Taiwan, Japan, Hong Kong, China, the Republic of Korea, of course, and in South East Asia ... That is where the opportunities are probably going to be ...

... I think the relativities over the next five or 10 years are going to continue to favour South-east Asia and the North-west Pacific."³⁶

The representative of the NSW State Chamber of Commerce echoed this sentiment:

"I would say that our relationship with Latin America is not the priority that Asia is, even if you break Asia up into its different component parts ..."³⁷

5.41 Austrade's forecast is that the share of Australia's trade with "Other America" (ie. including Latin America) would fall from 0.8% in 1989 to 0.7% in 1994. This compares with North Asia (41.4%), South-East Asia (9.8%) and Western Europe (15.7%). In the words of the Austrade representative:

"Looking out five years ahead, it is still a very, very small part of the merchandise trade."³⁸

36. Mr R. Woolcott, Committee Hansard, p. 223.

37. Mr M. Jones, Committee Hansard, p. 900.

38. Mr D. Hunter, Committee Hansard, pp. 354-5.

5.42 However, most witnesses made the point that opportunities in Latin America should not be ignored. A former Australian Ambassador to Venezuela, Colombia, Ecuador and Panama told the Committee that during his period as Ambassador he constantly had to argue against closure of the embassy at Caracas and commented:

"... in today's fast changing world Australia should be broadening its vision in South America and the Caribbean rather than contracting it, so that it can be ready to seize every new opportunity to advance the national interest. In my view our relations with South America should be accorded a higher priority in government policy than they are at present."³⁹

An academic said:

"... I think that there is some significant chance that South America will be turned around in the next 20 years and become a very dynamic region of the world. If that is the case, and if our policy is to be outward looking and to sell what we can where we can, then I do not think we can afford to ignore a region of 450 million people which has the possibility of becoming a very dynamic part of the world economy."⁴⁰

From a leading banking group in Latin America:

"We are not seeking to argue that Latin America will ever become one of Australia's largest or most important trading partners, or that the region does not continue to have a question mark hanging over its likely future.

What we are saying is that Australia is wrong in ignoring the potential of some of the markets in this region and that these markets do have the capacity to contribute to Australia's economic well being."⁴¹

39. Mr A. Dingle, submission, p. 3. It is of interest that during the course of the inquiry, the Committee was advised by the then Secretary of DFAT, Mr Richard Woolcott, in a letter dated 18 September 1991 that during the 1991/92 Budget deliberations the Minister for Foreign Affairs and Trade had decided that the Embassy in Caracas should not be closed.

40. Prof. R. Maddock, Committee Hansard, p. 445.

41. Mr J. Blanco, submission, p. 13.

Appearing before the Committee at a public hearing Professor Ross Garnaut made the point:

"I do not see the importance of East Asia to us as making a case for any exclusive or discriminatory focus on East Asia... any country with mineral deposits is a market for our mineral technology, our mining management and our metallurgical development. That is becoming important for Australia."⁴²

5.43 At a recent Business Council of Australia summit on 'Opportunities for Australia', a leading Australian businessman, Mr John Ralph of CRA Ltd expressed the view that, despite some successful penetration of the Asian market by Australian companies:

"... their efforts were not sufficient to erase disturbing Asian stereotypes about Australian firms."⁴³

Another participant, Mr Paul Hayden of the legal firm Mallesons Stephen Jacques, is also quoted as saying that:

"Asians still considered Australians to be lazy, naive and always on strike."⁴⁴

5.44 As far as this inquiry is concerned, however, the Committee wishes only to make the observation that Australia and Australian business people are less likely to be faced with any problem of negative stereotyping when seeking to do business in Latin America. Partly because contact has been more limited in the past, ignorance of Australia rather than possible negative pre-conceptions are more likely to feature in any business relationship. It should be easier for Australians to fill the information gaps in Latin America from a relatively clean slate, than to have to first undo any past damage to Australia's image.

Policy Direction

5.45 The Committee believes, as a general proposition, that diversification of markets is in the best interests of Australia. The Committee considers that companies would be well advised to explore opportunities clearly emerging in Latin America.

5.46 The Committee is strongly of the view that what is needed is a clear policy statement from the Australian Government on the place of Latin America in Australia's trade strategy that more accurately reflects the changed circumstances in the region.

42. Professor R. Garnaut, Committee Hansard, p. 1487.

43. As reported in the *Weekend Australian*, February 29 1992, p. 9.

44. *ibid.*

Without that clear direction, the confusion and reserve displayed by Government agencies will, in all probability, continue.

5.47 This change in policy direction should also be reflected in changes to the respective policies and strategies of Government agencies. Only in this way can the problems apparent to those in the private sector, such as the representative of the Australia-Brazil Chamber of Commerce, be overcome:

"One of the problems that I see in Austrade, is that we do not see what the long term strategic objectives are for that region. We as industry do not see that. If we do not see it, then we question whether they have it."⁴⁵

5.48 The Committee is of the view that, for Australia, Latin America is in many respects where Asia was thirty years ago. Australia was some three decades late in recognising opportunities in Asia. The danger is that its present belated focus on Asia is being pursued at the expense of real opportunities in other regions.

5.49 The Committee is not seeking to downgrade the effort now being directed to Asia; rather, it is seeking to increase the attention given to Latin America.

5.50 The Committee believes that if Australia is not, once again, to "miss the boat", Latin America must be upgraded to a place in Australia's planning more commensurate with its real potential.

5.51 In this respect the most important recent policy document is undoubtedly *Towards a National Trade Strategy*, the Joint Communique of Federal, State and Territory Ministers issued on 28 November 1991 and the accompanying working document, *Australian Trade and Investment Development*.

5.52 The Joint Communique states that:

"Australia will need to take advantage of the opportunities presented by the dynamic growth of the Asia-Pacific region. Asian economies will be of primary economic importance for Australia in the 1990s ...

Other markets in the Americas, Europe, Oceania and elsewhere cannot, however, be neglected."⁴⁶

5.53 *Australian Trade and Investment Development* was compiled by DFAT with input from other Commonwealth Government agencies, State and Territory Governments and industry organisations. The document provides the basis for a

45. Mr K. Aitken, *Committee Hansard*, p. 645.

46. *Towards A National Trade Strategy*, Joint Communique, 28 November 1991, p. 2.

coordinated strategy to improve Australia's overall trade performance and is intended as the basis for formulation of a National Trade Strategy.

5.54 The Committee notes the favourable assessment of Latin America in the document:

"Moves towards economic integration ... along with political democratisation and moves towards liberalisation and deregulation should provide a good basis for increasing Australian commercial activity in the Latin America region."⁴⁷

However, the document places only two countries in Latin America in its list of 24 priority markets - Mexico and Chile. While it may be true that individually these two countries provide the greatest opportunities the Committee has strong reservations about approaching the development of opportunities in Latin America in this segmented way.

5.55 As previously discussed in this Report, key issues that the Committee has identified as impeding the growth of the economic relationship between Australia and Latin America are region-wide, and not confined to just one or two of the Latin American countries. Transport is the most obvious case in point and is dealt with more extensively in Chapter 6.

5.56 Suffice to say here that the objective of improving shipping links with Mexico, which is included in *Australian Trade and Investment Development* is likely to be integrally linked to improved shipping links to the region as a whole. This in turn will be closely tied to increases in trade with the region as a whole. In other words, success in improving the shipping service to Mexico is dependent on the extent to which trade with other Latin American countries can be increased simultaneously.

5.57 Furthermore, the Committee considers that a sectoral approach, rather than a country by country approach may be more appropriate in the case of Latin America.

5.58 As noted elsewhere in this Report, a range of sectors has been identified as offering particular opportunities. Investment in mining is the obvious success story to date. As is evident from Recommendation nineteen of this Report, the Committee sees maximum benefit accruing from building on the success already achieved in this sector by appointing specialist mining attaches.

5.59 The Committee envisages that those specialists would develop market opportunities not only in their country of posting, but in the region as a whole. The Committee is entirely in agreement with the draft National Trade Strategy that Chile and Mexico are countries with whom we should be seeking to establish closer and

47. *Australian Trade and Investment Development*, op. cit., p. 25.

more extensive economic links. It is of concern to the Committee, however that this selective approach could, by default, lead to the neglect of important opportunities elsewhere in the region.

5.60 The Joint Federal, State and Territory Ministers' Communique of 28 November usefully spells out the following constructive list of actions that must be taken to "develop an improved system for coordinating international trade and investment development activities, in association with industry and the trade unions":

1. Coordinated action programs to pursue bilateral trade and investment strategies for priority markets.
2. Coordinated sectoral trade and investment strategies aimed at strengthening and diversifying Australia's export and capital bases.
3. Coordinated overseas and domestic operations which minimise costs and duplication, and maximise effectiveness.
4. Establishing improved systems of information and advice on international trade and investment events.
5. Improving the effectiveness of international business missions by providing a process by which we can coordinate, plan and follow up overseas missions, in liaison with industry associations.
6. Ensuring better planning and follow-up to the trade and investment activities of governments and industry associations, including the establishment of processes to review progress on the National Trade Strategy.⁴⁸

5.61 The Committee considers that concerted action on all these fronts is essential to lift Australia's overall trade performance. As a general prescription, the Committee would wish to see the actions outlined in the Communique underpinning the Government's strategy to improve trade and investment activity in Latin America. However, as previously indicated, the Committee differs from the proposal in the working paper *Australian Trade and Investment Development* in that it believes that a broader, regional focus which highlights selected sectors is more appropriate for Latin America than the selection of just one or two individual countries as priority markets.

5.62 Recommendation fourteen: The Committee recommends that the Australian Government:

signal clearly its recognition of Latin America as a region offering significant trade opportunities for Australia;

48. *Joint Communique*, op. cit., p. 2.

- state its intention to work towards an increased share of trade with Latin America. The goal could be to increase the share from the present 1% share of Australia's total trade to 3% by the year 2000;
- amend the working paper *Australian Trade and Investment Development* to accord more significance to Latin America as a region of opportunity and incorporate this amended policy in the National Trade Strategy; and
- ensure that this changed policy is fully reflected in the strategic planning of - and implemented by - all relevant Commonwealth Government departments and agencies, particularly DFAT, DITAC, Transport and Communications, DPIE and Austrade.

5.63 The Committee believes that 3% is not an unrealistic target, given the range and magnitude of commercial opportunities presenting in Latin America. The Committee sought the views of a number of witnesses as to whether they thought trade between Australia and Latin America was capable of increasing and if so by how much. The consensus was that there was potential for growth, with estimates ranging from a 2% share of Australian trade upward.⁴⁹

Identification and Development of Opportunities

5.64 Once a broad strategic framework is in place, attention must be given to the identification and development of specific opportunities. The Committee is aware that some market survey work has been done by Austrade in Brazil and that further, more detailed market research in Brazil is to be commissioned. Austrade informed the Committee that it has completed a study on prospects for agricultural equipment in southern Brazil. Two other reports are presently being prepared - one on the automotive industry and one on medical and scientific equipment.⁵⁰

5.65 It seems to the Committee that the work done to date is far too limited in scope. Moreover the Committee shares concerns expressed by the representative of the Australia-Brazil Chamber of Commerce about the contribution that such ad hoc surveys make to the development of opportunities. As Mr Aitken said to the

49. See for example Mr M. Overland, Committee Hansard, pp. 1410-11; Dr C. Findlay and Mr B. Bora, Committee Hansard, pp. 1600-1; and Professor R. Garnaut, Committee Hansard, pp. 1481-2.

50. Austrade, submission, Committee Hansard, p. 328 and letter from Mr I. Taylor to the Committee Secretary dated 2 April 1992.

Committee, real impact will flow from Austrade's efforts only if there is appropriate follow-up by the private sector:

"As we know, it takes two. It takes the government to play some role, but industry must also play a role. What I have seen so far is that Austrade has set, particularly in relation to Brazil, a number of key areas where concentration should take place for Australian export to Brazil. What I think the next step should be from that is that they should be in touch with Australian industry in that sector and find out what commitment they are prepared to put into Brazil. And if Australian industry says to the government, 'Brazil will still be No. 4 on our priority list' then why should the government waste money developing that area?

But if industry is prepared to say, look we are prepared to write a 10-year plan to develop that product, then I believe the government should put some commitment to a 10-year plan to develop that product. Then if you set a plan together you have a chance, but at the moment we have a situation, as I see it, where Austrade has identified something like 10 or 15 different categories of commodities and products we can work within, but I am not convinced that the industry is also prepared to give that same commitment."⁵¹

5.66 As the Committee sees it, successful market development goes well beyond a market survey of existing opportunities. The survey must include a detailed analysis not only of opportunities but also of any factors that might impede the full utilisation of the opportunities identified, whether they be transport costs, non-tariff barriers, finance difficulties or any other difficulties.

5.67 As the representative of the Australia-Brazil Chamber of Commerce says, a long-term, jointly developed plan of action is needed, in which actions to be taken by both Government (such as representations to foreign governments over specific regulations) and industry are clearly spelt out.

5.68 Ad hoc attempts at market development are unlikely to be successful. For example, although trade missions can serve a very useful role in advancing business interests, they are more likely to be successful if they form part of a wider, well-developed strategy. Without such a strategy, as Austrade found as recently as last year, three attempts to organise trade missions to South America collapsed through lack of support.⁵²

51. Mr K. Aitken, Committee Hansard, p. 652.

52. Austrade, submission, Committee Hansard, p. 327.

5.69 The Committee is pleased to see that the Government has taken worthwhile initiatives in recent years to study in depth Australia's economic relations and prospects in North East Asia. The Government has recently commissioned a report on economic opportunities in South-East Asia. There is good reason to adopt a similar approach now, as a matter of urgency, with respect to Latin America, in order to achieve the objective of a 3% share in Australia's overall trade by the year 2000. The large body of information submitted to this inquiry and this Report itself should be utilised to pursue in greater depth the opportunities that have been identified.

5.70 Recommendation fifteen: The Committee recommends that DFAT, in close collaboration with Austrade and relevant Commonwealth and State marketing bodies, undertake a substantial detailed survey and assessment of trading and business opportunities in Latin America along the lines of those on North East Asia and South East Asia. This analysis should preferably be tabled within the next year.

5.71 In implementing the above recommendation the Government should bear in mind the contribution that academic institutions and peak business bodies such as the Council for International Business Affairs, might make to identifying opportunities in Latin America.

5.72 In evidence to the Committee, Professor Maddock drew attention to an example where a university had been contracted to provide a monitoring service of the Colombian economy. He suggested that a similar arrangement might be instituted to provide a:

"... bulletin on commercial opportunities and liberalisations of different markets in the different South American economies."⁵³

5.73 The Government should consider the feasibility of contracting to an academic institution or institutions at least some parts of the study proposed in Recommendation fifteen.

Coordination and Information Dissemination

5.74 Another essential ingredient is the effective coordination of all government departments and agencies to achieve the objectives set by the Government. Although the draft National Trade Strategy is a step in the right direction, it clearly has a long way to go in achieving such coordination.

53. Professor Maddock, Committee Hansard, p. 420.

5.75 As in previous investigations, such as the Committee's inquiry in 1989 into Australia's relations with India, the Committee is not convinced that the large volume of valuable information available in various parts of the bureaucracy, including information held at diplomatic posts, and in academic institutions, is being fully utilised and effectively disseminated to the Australian business sector.

5.76 Mr Mike Jones, the President of the NSW State Chamber of Commerce, which appears to have effective liaison with business groups in the State, outlined some of the difficulties that bedevil industry's efforts:

"... some of the people on our Committee know more about what all the government groups are doing in Sydney because the Department of Foreign Affairs and Trade does not talk to State Development, State Development does not talk to Austrade, Austrade does not talk to Civic Affairs. So there is an attempt there through our little Committee to try to put in what on earth is going on in this effort of developing relations."⁵⁴

5.77 Mr Jones, offered a possible explanation:

"I think one of the barriers that exists in Australia is not to have coordination, because I do not think it is in the Australian cultural psyche to be coordinated. We all like to be ultra individuals, but this liaison role is so that at least everybody has a comprehensive idea of what is going on so we do not reinvent the wheel."⁵⁵

5.78 It is essential that the process of dialogue between government statutory bodies with marketing responsibilities and the private sector also be a continuing one. Direct and frequent contact at a personal level between officers with responsibilities in the various areas should be encouraged.

5.79 Recommendation sixteen: The Committee further recommends that the assessment in recommendation fifteen be put to potential user groups, including the various industry associations, to enable those bodies to be better informed and better placed to take more effective advantage of trading opportunities in Latin America. The assistance of the Council for International Business Affairs should be sought in this regard. Care should be taken to ensure that small to medium-sized Australian companies are also involved in this process. It is also essential that the process of dialogue between government statutory bodies with marketing responsibilities and the

54. Mr M. Jones, Committee Hansard, pp. 905-6.

55. *ibid.*, p. 906.

private sector be a continuing one. Direct and frequent contact between officers with responsibilities in the various areas should be encouraged.⁵⁶

Level of Resources and Location of Personnel

5.80 The Committee noted a tendency on the part of Australian Government departments and agencies to equate the level of present trade with the level of resources that should be devoted to the region.

5.81 For example, Austrade informed the Committee that:

"... the resources that we allocate to Latin America are about 1.3 per cent of our total overseas resources. That is roughly about what our trade level is".⁵⁷

The Committee was subsequently informed that, in fact, less than 1% of Austrade's resources is devoted to Latin America. In 1990-91, the percentage share of resources allocated to Latin America was 0.69% of Austrade's total operating costs. The amounts budgeted increased to 0.97% for 1991-92, and to 1.63% for 1992-93.⁵⁸

5.82 DITAC informed the Committee that:

"DITAC's limited commercial interest in Latin America is reflected in the trade flows between the two regions."⁵⁹

5.83 The Committee questions whether this is an appropriate approach by Government departments and agencies generally. It is an approach that was explicitly rejected in McKinsey's review of Austrade.⁶⁰

56. The Council for International Business Affairs, established in 1991 represents all the major business groups, including the Confederation of Australian Industry, National Farmers Federation, Business Council of Australia and the Australian Coalition of Service Industries. The Committee understands that other peak industry bodies such as the Australian Mining Council and the Metal Trades Industry Association are expected to join in mid-1992.

57. Mr I. Taylor, Committee Hansard, p. 355.

58. Letter from Mr I. Taylor to the Committee Secretary, dated 2 April 1992.

59. DITAC, submission, Committee Hansard, p. 234.

60. McKinsey and Company: *Organising to Deliver Export Impact*, 20 December 1990. The recommendations of the report as they relate to Latin America are dealt with in greater detail in paragraphs 5.87 to 5.88.

5.84 It was also questioned by what might be described as one of Australia's old hands in Latin America, Mr Alan Norman of Davis Gelatine. In commenting on the DFAT and Austrade submission Mr Norman said:

"... it seems to me to be a back-to-front way of looking at things to say that because our trade is one or 2 per cent that that is the sorts of resources we should give to an area. I would have thought you want the resources where you have got the opportunities."⁶¹

5.85 The Committee was struck by the fact that many Australian agencies and departments appear to pay little regard to the contribution they might make in actively facilitating and enhancing Australian business activities in Latin America. Implicit in this approach is the assumption that the Government's role is limited to servicing existing demand.

5.86 Moreover it seems to imply that there is little or no role for the Government to initiate or promote activities based on judgements about the future potential of a region such as Latin America. Too many government officials, it seems, have yet to recognise the potential of the Latin American market, let alone address problems or apply remedies.

5.87 The criterion adopted by McKinsey in formulating their recommendations for the distribution of Austrade's resources was a combination of the capacity of a particular country to absorb imports from Australia together with Austrade's relative ability to deliver value to clients in relation to that country. In other words, Austrade officers should be located where they can contribute most to assisting the Australian business sector. On this basis McKinsey recommended a major shift in Austrade's overseas resources from North America and Europe to several Asian posts.

5.88 Interestingly for this inquiry, McKinsey concluded that the export potential and Austrade's ability to deliver value in the case of Latin America was roughly equal to that in the Philippines and Malaysia. Although the export potential for Australia to Thailand was considered by McKinsey to be a little higher than the export potential of Latin America, Austrade's ability to deliver value to clients in Latin America was rated higher than in Thailand. In the case of Singapore and Hong Kong export potential was rated very highly, whereas Austrade's ability to deliver value to clients there was rated considerably below Austrade's ability to do so in South America.

5.89 The Committee heard a number of complaints to the effect that Australia's diplomatic and trade representation in Latin America compared unfavourably with that in other regions of the world. The relatively greater coverage by the Latin American countries in their representation in Australia was also commented upon.

61. Mr A. Norman, Committee Hansard, p. 1007.

5.90 The location of Austrade's senior trade commissioner in Miami, Florida until this year was commented on unfavourably in at least twenty submissions.

5.91 It is the view of the Committee that, even with the changes Austrade has made to its staffing of Latin American posts since this inquiry began, Austrade's representation in Latin America still does not adequately reflect either the trade and investment potential of the region or the contribution that Austrade could make to fulfilling that potential.

5.92 Appearing before the Committee at its first public hearing on this inquiry in August 1991, the senior Austrade representative informed the Committee that Austrade had reviewed the allocation of its resources in Latin America and the following changes would be made to Austrade's Latin America network:

- . the headquarters for the South American network would be relocated from Miami to Buenos Aires, and would be headed by a senior trade commissioner (A-based);⁶²
- . the location of the headquarters would be reviewed as the effects of economic reforms become clearer, particularly in Brazil and Argentina;
- . as part of the review process, a need for a second Australian trade commissioner in South America would be considered;
- . an additional marketing officer has been appointed to the post in Mexico City;
- . at the end of 1991-1992, the level of Australian business interest in Chile, Brazil and Argentina would be assessed to determine whether Austrade offices in those countries should be strengthened by additional marketing staff;
- . a short term marketing consultant would be employed in Sao Paulo to analyse the market opportunities for specific product areas; on the basis of this analysis it would be decided whether Austrade should have full time representation in Sao Paulo; and
- . a new three-year trade promotion program would be launched to raise awareness of the opportunities in the Latin America market and to actively promote Australian exports, with particular emphasis on manufactures and services.⁶³

5.93 Whilst welcoming the changes, the Committee is concerned that they may still be too cautious and incremental. The Committee sought the views of a range of witnesses regarding the changes outlined by Austrade. The feedback was

62. A senior officer posted from Australia, rather than a locally engaged representative.

63. Mr D. Hunter, Committee Hansard, pp. 342-3.

overwhelmingly to the effect that the relocation to Buenos Aires is not in itself the answer and has to be backed up by additional, qualified and well placed personnel on the ground.

5.94 The Australia-Brazil Chamber of Commerce was emphatic that the best location for Austrade in Brazil was not Rio de Janeiro, but Sao Paulo:

"I believe there is a compelling case, indeed an overwhelming case, for a senior trade commissioner to be appointed now in Brazil. Wherever else an appointee may be slotted into South America ... Best location, with respect, for Austrade in Brazil is Sao Paulo, that city being the centre of Brazilian economic life; and dare we say it, the single-most important location for coordination of activities within the South American continent."⁶⁴

5.95 The Director of the Insearch Language Centre also considered the best location for an Austrade commissioner to be in Sao Paulo.⁶⁵

5.96 The appointment by Austrade of a consultant in Sao Paulo is a useful first step. However, the Committee understands that the consultant (a market research company called Demanda) has so far only been commissioned to prepare a report on medical and scientific equipment as part of Austrade's survey of opportunity sectors.⁶⁶ The Committee further understands that another survey (a mining equipment and information technology) is likely to be commissioned from the consultant when funds permit.

5.97 On the basis of the evidence before the Committee there is every reason to believe that the appointment of a permanent Austrade representative in Sao Paulo as a matter of urgency would be desirable.

5.98 Recommendation seventeen: The Committee recommends that the Australian Government consider the appointment of a permanent representative in Sao Paulo in the context of an overall strategy to improve commercial and other links with Latin America.

5.99 The Committee also examined the pattern of Australia's diplomatic representation in Latin America. It seems to the Committee that the five existing Australian diplomatic missions - in Argentina, Brazil, Chile, Mexico and Venezuela -

64. Mr J. McGruther, Committee Hansard, p. 634 and Australia-Brazil Chamber of Commerce, submission, Committee Hansard, p. 624.

65. Mr M. Laurence, Committee Hansard, p. 983.

66. Letter from Mr I. Taylor to the Committee Secretary, dated 2 April 1992.

represent the bare minimum necessary to serve Australia's political and economic interests in a continent that is increasingly presenting significant trade and investment opportunities.

5.100 Certainly, wider diplomatic representation in capitals, including Bogota, Montevideo and Lima would enable the Australian Government to assist in identifying and developing opportunities. However, the Committee recognises that in the present economic situation, and in the face of other competing priorities, the establishment of additional diplomatic missions in the Latin American region is unlikely in the short-term.

5.101 At the same time the Committee is firmly of the view that present resources in Latin America should not be reduced. The Committee was told by the former Australian Ambassador to Venezuela, Colombia, Ecuador and Panama from 1987 - 1991, Mr Anthony Dingle, that:

"For some years Caracas has been high on the list of prospective posts for closure and so much of my work there was devoted to arguing the case for the continued retention of the post in Australia's long term interest."⁶⁷

5.102 Happily, it appears that the Caracas post will not be closed. In April 1992, Mr Ian Wilcock informed the Committee that the Minister for Foreign Affairs and Trade:

"... is strongly of the view that no more posts, in Latin America or elsewhere, can be closed without damage to Australia's foreign policy interests."⁶⁸

5.103 One solution to the representation problem is the appointment of Australian Honorary Consuls in Latin America. At the time DFAT made its submission in June 1991, there were two Australian Consulates in Latin America (Sao Paulo and Bogota) both headed by Honorary Consuls, with another four Honorary Consulates in Latin America being planned.⁶⁹ Since then, two of these Honorary Consuls have been appointed - in Guayaquil (Ecuador) on 2 January 1992 and Montevideo (Uruguay) on 11 February 1992.⁷⁰

67. Mr A. Dingle, submission, p. 1.

68. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992.

69. DFAT, submission, Committee Hansard, p. 74.

70. Minister for Foreign Affairs and Trade, Press Releases, 2 January 1992 and 11 February 1992. As at 30 March 1992, Australia has 11 consulates in the world that are headed by honorary consuls. Of these, four are in Latin America. The other consulates are in Seville, Barcelona, Boston, Kuching, Lae, Papeete and Pusan. Notwithstanding the "Honorary" designation, each Consul receives a small remuneration.

5.104 Mr Wilcock described the value of the Honorary Consuls thus:

"The Honorary Consuls are all local business people of some standing in their respective countries who are very well placed to advance Australia's commercial interests. Apart from handling routine consular work for us, they have provided a helping hand on the ground for Australian business personnel visiting the region ..."⁷¹

5.105 Mr Wilcock said that the Honorary Consuls recently appointed in Latin America were proving to be "a real boon":

"We have received gratifying feedback from Ministers, visiting officials and companies about the excellent service they have provided. They have proved a very cost effective way of extending Australia's official presence in the region ..."⁷²

5.106 Mr Dingle's view on Honorary Consuls was also positive. He told the Committee that the capacity of the Caracas post to promote Australia's interests was "strengthened significantly" by the appointment of Honorary Consuls in Colombia and Ecuador. Mr Dingle recommended that an Honorary Consul be appointed in Panama to explore opportunities for Australian traders in the Colon-Cristobal free trade zone which has an annual turnover of US\$5 billion and an annual growth of US\$1 billion.⁷³ The Committee saw value in this suggestion.

5.107 The Committee is pleased to note from Mr Wilcock that the Australian Government is planning to open more Honorary Consulates in Latin America in the near future.⁷⁴

5.108 Recommendation eighteen: The Committee recommends that DFAT takes steps to identify and appoint suitable Honorary Consuls in Latin American countries in which Australian diplomats are presently not based and which present significant trade and investment opportunities.

5.109 Furthermore, the Committee considers that there is a need for more Australian experts in certain areas in key countries. The experience of the JKMRC in Chile has shown that much can be achieved by having experts on the ground. Although the

71. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992.

72. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992.

73. Mr A. Dingle, submission, p. 2.

74. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992.

JKMRC have assisted other Australian organisations in the past and provided them with contacts, as its Director, Dr McKee pointed out:

"... it is not our job or our task to represent the Australian mining industry or the Australian technology industry in South America...The Julius Kruttschnitt Mineral Research Centre's task remains fundamentally the one of research and development activities in Chile, not to be a shop front, if you like, for the total Australian effort in Chile."⁷⁵

However, a locally-based person is needed as:

"... potentially a great many small Australian manufacturing organisations could benefit from the type of thing we have suggested, as could the bigger ones. I know very well that, because we have some experience in the country, when some of the large companies have considered moves to Chile, they have come to speak to us. They have talked to us about our experiences, suggestions, advice and so on as to how they might go about doing things. But it is not our principal role."⁷⁶

5.110 The Committee inquired of Dr McKee whether there was sufficient Australian commercial interest already in Chile to justify a permanent commercial presence from Australia in Santiago. Dr McKee was emphatic that in the mining sector there was. In regard to Chile and Brazil:

"... somebody who understands the mining industry could be a tremendous facilitator and contact point for Australian organisations wanting to move into South America."⁷⁷

5.111 The Committee was equally impressed by the potential for Australian coal exports and export of related technical expertise to Mexico, whose expansion program in coal-fired electric power stations is expected to be sizeable for the next 10 years. Australia is clearly in a position to supply both coal and technology, whether the opportunities in coal in Mexico are \$400 million as claimed by DPIE⁷⁸ or possibly more.

75. Dr D. McKee, Committee Hansard, p. 1148.

76. Dr D. McKee, Committee Hansard, pp. 1148-9.

77. *ibid.*, p. 1144.

78. Mr R. Hutchison, Committee Hansard, p. 1214.

5.112 The Committee was struck by the number of witnesses who commented on the inability of Austrade representatives to cope with technical information. In the JKMRC's observation:

"... it has been our experience that Austrade attempts to cover a very wide range and if you start to ask very specific questions to those people in Austrade, you tend to run into problems."⁷⁹

This was confirmed by another organisation:

"We have endeavoured to use Austrade on numerous occasions, and pay for their services; however, in my opinion, Austrade has one major fault in that it appears to be staffed by commercially trained personnel who, in turn, employ locals with similar qualifications; nowhere are engineers or even tradespeople employed.

It is now time for the Australian Government to recognise that Australia can export more than wool and wheat, etc., as it would appear the most complex equipment an Austrade employee would understand is a bathroom tap. I am not knocking Austrade and firmly believe they are doing their best, but I strongly suggest that a proportion of their "Trade Officers" should be engineering or trades personnel."⁸⁰

5.113 The Committee found the arguments of the JKMRC regarding the need to assist the small to medium business persuasive.

"If you start with no advice and no assistance, it is very slow and very hard going; you have to make all of the contacts. The language problem initially is significant. The time it takes and the cost involved are the sorts of things that will deter a lot of small organisations. It does not deter big organisations. Large organisations make the decision to send the person permanently there to establish an office and bear the cost of that over the first two or three or four years, however long it takes. If you look at the Australian equipment industry, a lot of it is made up of very small players, small organisations. They are not big ones because we do not by and large have large equipment operations in Australia. Small companies find that

79. Dr D. McKee, Committee Hansard, p. 1150.

80. Metz Pty Ltd, submission, p. 1.

expensive and time consuming, and perhaps in the long run they decide it is not worth it.¹⁸¹

5.114 Over the course of the inquiry, the Committee formed the clear impression that the level and location of Austrade's representatives in Latin America were inadequate to serve Australia's commercial interests in the region.

5.115 The Committee is pleased to note that, in the last few months, Austrade has taken steps to rectify the obvious shortcomings. In April 1992 Austrade informed the Committee that:

- . in October 1991 an extra Austrade marketing officer was employed in Mexico City;
- . in November 1991 an extra Administrative Assistant was employed in Buenos Aires;
- . in March 1992 an extra Commercial Officer was employed in Buenos Aires;
- . from 1 July 1992 a Specialist Trade Commissioner (Mining and Energy) will be based in Austrade's office in Santiago. The Mining and Energy Commissioner will have responsibility for promoting Australian mining and energy equipment and services for the whole of Latin America, as well as a "general post" covering Chile, Peru, Bolivia and Ecuador.

The Committee observes that this heightened level of activity has taken place since the Committee began this inquiry. This also appears to be true of recent initiatives by the Department of Foreign Affairs and Trade.

5.116 Although the Committee welcomes Austrade's appointment of a specialist Trade Commissioner in Santiago, it is of the view that, given the immense opportunities evident across much of Latin America in this "niche" sector, Australia may not be adequately served by a single Specialist Trade Commissioner. This applies particularly to Mexico (see Chapter 3) where the potential for Australian involvement in all aspects of Mexico's significant electric power generation and industrialisation program over the next ten years is substantial, provided the right steps are taken now. This would require the immediate placement of an appropriate Australian specialist in Mexico City.

81. Dr D. McKee, Committee Hansard, p. 1144.

5.117 Recommendation nineteen: The Committee recommends:

that an Energy and Mining Trade Specialist be placed in Mexico City as soon as possible. The representative should:

- be based within the Australian embassy;
- have expert knowledge of a range of mining and mineral technology matters. In particular, the representative should have expert knowledge of the range of types of coal that can be sourced from Australia, of port handling and of the construction of coal-fired electric power plants;
- liaise with Government authorities and private enterprise in Mexico on energy requirements;
- have responsibility for identifying and developing opportunities in the energy and mining fields in Colombia and Venezuela.

That the appointment be made for a period of three years, at the end of which a review of the appointment be made.

Suitability of Austrade Representatives Overseas

5.118 If Australia's trade representatives are to represent and advance Australia's commercial interests to best effect, it seems obvious that they must have a good understanding of Australian products and requirements, and what Australian industry and the services sector have to offer. In this respect, the Committee was concerned to note that in at least one Latin American country, Australia has a trade representative who has never been to Australia. The former General Manager of Bond Corporation in Latin America told the Committee:

"If we are to be serious with trade in Latin America, we need people who have lived and worked in Australia and have the contacts to promote the Australian products as a knowledgeable individual. Also it is imperative to have people with the contacts in many industries in Australia, that can help the Latin American with contacts for bi-lateral trade.

An example, Chile has an Austrade representative in the mission, but he has NEVER been to Australia AND after 15 years as the representative has only been invited to ONE combined Latin American conference ... in Buenos Aires.

How can such a person irrespective of his energy and ambition do Australia any good."⁸²

5.119 The Committee sought further information from Austrade about the qualifications of its personnel and their familiarity with Australia and with the companies and products they are charged with marketing.

5.120 Asked how often Austrade's Latin American representatives travel to Australia, Austrade responded that its representatives in Latin America have travelled to Australia "infrequently".⁸³ However, following McKinsey's criticisms, Austrade has decided that all marketing staff should visit Australia "on a regular basis".⁸⁴ Visits recently made or planned include:

- . visit by Austrade Manager, Santiago (February - March 1992);
- . manager of the Mexico City office to be seconded to Austrade's Brisbane office for two months in June-July 1992; and
- . the Senior Trade Commissioner and the Marketing Manager from Buenos Aires are to visit Australia in late 1992.

The Committee considers it vital to ensure that Australia's trade representatives in Latin America are familiar with Australia's capabilities in manufacturing, services (including tourism), technology and other export sectors.

5.121 Recommendation twenty: The Committee recommends that Australia's trade representatives in Latin America should:

- . be fully briefed on the capabilities of Australian industry before taking up their appointment in Latin America. This should include at least two months of induction in Australia with attachments to Austrade offices and to selected Australian companies as part of the induction process;
- . visit Australia at least every other year thereafter.

Further, the Committee believes that consideration should be given to applying these principles to all Austrade postings.

82. Mr M. Babidge, submission, p. 5.

83. Letter from Mr I. Taylor to the Committee Secretary dated 2 April 1992.

84. *ibid.*

Other Measures

Export Access Program

5.122 The Committee notes that the DITAC/Australian Chamber of Manufacturers' innovative Export Access Program, which assists small to medium-sized businesses to gain access to North America, Europe and Asia, does not target Latin America. The Committee is of the view that the Export Access program can provide much-needed practical support to Australian companies wishing to enter Latin American markets. In many respects, the Committee considers Latin America at least as suitable a target for small business as North America or Europe.

5.123 Recommendation twenty one: The Committee recommends that the Export Access Program of the Department of Industry, Technology and Commerce be extended to include Latin America as a target area.

Bilateral Agreements

5.124 The Committee is of the view that suitable bilateral agreements between Australia and the Republics of Latin America, and between Austrade and its equivalent in each major Latin American country, would assist in advancing bilateral commercial interests. Mention has previously been made of bilateral Science and Technology Agreements (Chapter 3).

5.125 The Committee is in favour of agreements such as the recent Memorandum of Understanding between Australia and Colombia (7 February 1992) and the Joint Communiqué on the State of Bilateral Relations between Australia and Chile (10 March 1992). The agreements Austrade presently has with its Mexican equivalent, Bancomext, and the Chilean agency, ProChile, could act as models for agreements with other Latin American agencies.

5.126 Recommendation twenty two: The Committee recommends that DFAT and Austrade initiate the negotiation of mutually beneficial bilateral relations agreements that are not at variance with GATT rules between Australia and the major republics of Latin America, either on a country or trade promotion agency level.

5.127 Several companies trading with Latin American countries mentioned that they face problems due to the absence of tax treaties between Australia and the Latin American countries.

5.128 The representative of Davis Gelatine, Mr Norman said that the absence of tax treaties had led to considerable administrative and management inconvenience. Mr Norman also referred to difficulties faced by Australian-owned corporations in Latin

America.⁸⁵ Under Australia's current foreign corporation tax laws, which relate to the taxation of foreign source income, Brazil is the only Latin American country listed as a country with a comparable tax jurisdiction to Australia.

5.129 The Committee was pleased to note from additional information provided by DFAT that negotiations on Double Taxation Agreements with Argentina and Mexico are presently in progress.⁸⁶ Similar negotiations with Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela appear not to have commenced.

5.130 The Committee is also pleased to note that a Social Security Agreement is presently being negotiated with Chile and a Bilateral Employment Arrangement with Mexico.⁸⁷ Progress in the negotiation of Mutual Assistance and Extradition treaties is dealt with in Chapter 8.

5.131 Recommendation twenty three: The Committee recommends that, in the light of the Committee's identification of Latin America as a potentially significant trading and investment partner, the Australian Government take appropriate steps to ensure that:

- . Double Taxation Agreements are concluded with the major Latin American countries within the next three years; and
- . the need for other relevant agreements, such as Social Security and Employment arrangements, is kept under review.

Business Councils, Chambers of Commerce

5.132 The Committee recognises the contribution that organised industry bodies such as Business Councils and Chambers of Commerce could make to the establishment of links and trading contacts between Australia and Latin America. It notes the wish expressed by the then Ambassador of Mexico in his submission that the Australia-Mexico Business Council be established without further delay.⁸⁸ The Committee would like to see appropriate bodies established and believes that Australian Government agencies could play a part in encouraging their establishment.

85. Mr A. Norman, Committee Hansard, p. 1018.

86. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992, Attachment C.

87. *ibid.*

88. H.E. Mr A. Morales, submission, p. 25.

5.133 Recommendation twenty four: The Committee recommends that DFAT and Austrade take steps to assist in the establishment of industry bodies, such as business councils and chambers of commerce, linking Australian companies with an interest in Latin America, to supplement the bodies already in place. Priority should be given to those Latin American countries with diplomatic representation in Australia.

Trade Fairs, Exhibitions and other events

5.134 The Committee sought the assistance of Latin American diplomatic representatives as to whether there are any significant trade fairs, exhibitions or other events scheduled to be held in the near future to which Australian agencies could usefully attend.

5.135 Information about trade fairs and other events provided by the representatives of Argentina, Chile, Colombia, Mexico, Peru and Venezuela is incorporated in the volumes of submissions received by this inquiry.

5.136 Recommendation twenty five: The Committee recommends that Austrade:

- . compile a list of major trade fairs, exhibitions, conferences and other events in Latin America which Australian companies could consider attending. In drawing up such a list, Austrade should consult with DFAT and relevant agencies, and also refer to the information provided to the Committee by the Latin American diplomatic representatives in Australia;
- . circulate the list to Australian companies through Austrade's State Offices, Client Support Units and Business Development Units;
- . indicate in order of priority, which events Austrade would most recommend for Australian participation and where Austrade could assist Australian companies to participate in these events;
- . actively assist Australian companies to be represented in selected events.